

### Data response exercise

Consider the following data and answer the questions.

Japan	2000	2001	2002	2003	2004	2005
Consumer price index (% change from previous year)	-0.8	-0.8	-0.9	-0.3	0.0	-0.3

Unemployment rate (% of labour force)	4.7	5.0	5.4	5.3	4.7	4.4
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Mexico	2000	2001	2002	2003	2004	2005
Consumer price index (% change from previous year)	9.5	6.4	5.0	4.5	4.7	4.0

Unemployment rate (% of labour force)	2.2	2.1	2.4	2.5	3.0	3.5
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United States*	2000	2001	2002	2003	2004	2005
Consumer price index (% change from previous year)	3.4	2.8	1.6	2.3	2.7	3.4

Unemployment rate (% of labour force)	4.0	4.8	5.8	6.0	5.5	5.1
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Note: Labour market data are subject to differences in definitions across countries.

\* The methodology for calculating the Consumer Price Index has changed considerably over the past years, lowering measured inflation substantially.

Source: OECD, Economic Outlook 79 database

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1 Define the following terms indicated in bold:

a consumer price index

[2 Marks]

b unemployment rate.

[2 Marks]

2 With reference to the data, explain why we can say that Japan experienced deflation in the period shown.

[4 Marks]

3 With reference to the data, explain the trends in inflation and unemployment in Mexico and the United States.

[4 Marks]

4 Using evidence from the text and your knowledge of economics, evaluate the validity of the Phillips curve relationship.

[8 Marks]

### Assessment advice: evaluation

In terms of the different ways that you can evaluate, the best thing here would be to look at the time frame involved. You have enough data to make a possible conclusion for a short-run period, but is there enough information for the long run?